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8 **BEFORE THE**
9 **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

10 In the Matter of the Application of

11 Qwest Communications Corporation and
12 Certain of its Affiliates

13 For an Order Approving an Internal Corporate
14 Restructuring

DOCKET NO. UT-_____

APPLICATION FOR APPROVAL
OF INTERNAL CORPORATE
RESTRUCTURING

15 Pursuant to Chapter 80.12 RCW and WAC 480-143-120, Qwest Communications
16 Corporation (“QCC”) and certain of its subsidiaries and affiliates that hold certificates of
17 authority issued by this Commission¹ hereby submit, to the extent approval is required, this
18 Application for approval by the Washington Utilities and Transportation Commission (the
19 “Commission”) of several internal transactions, described below, being undertaken in order to
20 effectuate an internal corporate restructuring. The Applicants also request, to the extent
21 required, that the Commission deem inapplicable or waive the anti-slamming rules set out in
22 WAC 480-120-139(1) and the customer notification requirements set out in WAC 480-143-
23 210.

24 This Application is being submitted in light of recent Commission orders that exercised
25 jurisdiction over reorganization transactions that involved, indirectly, public service

26 ¹ The following certificated subsidiaries and affiliates are, together with QCC, parties to this Application and are collectively referred to herein as the “Applicants:” LCI International Telecom Corp., Phoenix Network, Inc., and USLD Communications, Inc.

1 companies.² In the Applicants' view, however, the proposed internal corporate restructuring is
2 distinguishable from the recent circumstances in which the Commission exercised jurisdiction,
3 as there will be no change in the ultimate ownership or control of the Applicants.

4 Granting this Application will serve the public interest. The proposed restructuring
5 steps will decrease the number of certificated entities subject to the Commission's oversight,
6 thus reducing the administrative burden posed by these entities on the Commission. There will
7 be no change in the ultimate ownership or control of the Applicants, and no changes in service
8 offerings or personnel are contemplated as a result of the proposed restructuring. Rather, the
9 restructuring will result in a consolidation of the multiple QCC subsidiaries and affiliates
10 currently providing telecommunications services in Washington. As a result, QCC and its
11 remaining subsidiaries and affiliates will be able to increase efficiencies and reduce the
12 administrative burdens associated with their current structure and operations.

13 The internal restructuring that is the subject of this Application will not affect the
14 customers or operations of the incumbent local exchange provider, Qwest Corporation, which
15 will remain a direct subsidiary of Qwest Services Corporation.

16 **I. THE APPLICANTS**

17 The Applicants are direct or indirect wholly-owned subsidiaries or commonly-owned
18 affiliates of QCC. QCC is a direct, wholly-owned subsidiary of Qwest Services Corporation,
19 which is, in turn, a direct, wholly-owned subsidiary of Qwest Communications International
20 Inc., the stock of which is publicly traded on the New York Stock Exchange.³ Through QCC
21 and its subsidiaries and affiliates, Qwest Communications International Inc. is a facilities-based

22 ² See, e.g., GTE/Bell Atlantic Merger, Docket No. UT-981367, Third Supplemental Order (1999); PacifiCorp/
23 Scottish Power Merger, Docket No. UE-981627, Second Supplemental Order (1999); Puget Sound Energy
Corporate Reorganization to Create a Holding Company, Puget Energy, Inc., Docket No. UE-991779, Order
Accepting Stipulation and Approving Corporate Reorganization (2000).

24 ³ Prior to the merger of Qwest Communications International Inc. and U S WEST, Inc., Qwest Services
25 Corporation was known as Qwest Corporation.
26

1 multimedia company that provides a full range of communications services, including local
2 exchange and interexchange telephone service, Internet access, and video and data services.⁴

3 The principal office and place of business for each of the Applicants is 1801 California
4 Street, Denver, Colorado 80202. A schedule of dockets in which the Applicants have been
5 competitively classified and/or granted operating authority to provide telecommunications
6 services in Washington, as well as descriptions of the specified services each Applicant is
7 authorized to provide, is attached hereto as Exhibit A-1. A list of operating certificates from
8 the Commission to be held by each Applicant following the restructuring described herein is
9 attached hereto as Exhibit A-2.

10 **II. DESIGNATED CONTACTS**

11 The designated primary contacts for this Application are:

12 Mace J. Rosenstein, Esq.
13 Marissa G. Repp, Esq.
14 Hogan & Hartson L.L.P.
15 555 Thirteenth Street NW
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19 E-mail: mjrosenstein@hhlaw.com
20 mgrepp@hhlaw.com

21 Copies of all correspondence, notices and orders pertaining to this Application also
22 should be sent to:

23 Wendy Moser, Esq.
24 Qwest
25 1801 California Street, 38th floor
26 Denver, Colorado 80202
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⁴ Pursuant to Section 271 of the Telecommunications Act of 1996 and the Federal Communications Commission's decision approving the merger of Qwest Communications International Inc. and the former U S WEST, Inc., 15 FCC Rcd 5376 (2000), Qwest Communications International Inc. and its subsidiaries do not provide prohibited interLATA services in Washington.

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III. DESCRIPTION OF THE TRANSACTION

As explained in further detail below, the proposed corporate restructuring will be effectuated by means of several interrelated steps. These steps involve either (1) the merger of existing QCC subsidiaries and affiliates or (2) the transfer of control of existing QCC subsidiaries and affiliates from one intermediate corporate parent to another. As noted above, the ultimate ownership and control of QCC and all of its direct and indirect subsidiaries and affiliates will be unchanged as a result of these restructuring steps.

Specifically, the Applicants seek authority, to the extent required, for the following transactions:

- 1. Merger of LCI International Telecom Corp. into QCC.**
LCI International Telecom Corp. (a certificate holder) currently is a direct, commonly-owned subsidiary of LCI International, Inc., which, in turn, is a direct, wholly-owned subsidiary of QCC. LCI International Telecom Corp. will be merged into QCC, with QCC as the surviving corporation. The certificates of authority of LCI International Telecom Corp. will be transferred to QCC.
- 2. Merger of Phoenix Network, Inc. into QCC.**
Phoenix Network, Inc. (a certificate holder) is currently a direct, wholly-owned subsidiary of QCC. Phoenix Network, Inc., will be merged into QCC, with QCC as the surviving corporation. The certificates of authority of Phoenix Network, Inc. will be transferred to QCC.
- 3. Merger of USLD Communications Corp. into USLD Communications, Inc.**
USLD Communications, Inc. (a certificate holder) currently is a direct, wholly-owned subsidiary of USLD Communications Corp. (which holds no certificates), which, in turn, is a direct, wholly-owned subsidiary of LCI International, Inc. USLD Communications Corp. will merge downstream into USLD Communications, Inc., with USLD Communications, Inc. as the surviving corporation. As a consequence, USLD Communications, Inc. will become a direct, wholly-owned subsidiary of LCI International,

1 Inc. Because the certificate holder -- USLD Communications,
2 Inc. -- is the surviving corporation, this downstream merger does
3 not affect the customers or certificates of USLD Communica-
4 tions, Inc.

- 4 **4. Internal transfer of control of LCI International, Inc.**
5 LCI International, Inc. (which holds no certificates), previously a
6 direct, wholly-owned subsidiary of QCC, becomes a direct,
7 wholly-owned subsidiary of Qwest Services Corporation. The
8 transfer of LCI International, Inc. from QCC to Qwest Services
9 Corporation does not affect the provision of service by any
10 operating subsidiary.⁵

8 Organizational charts depicting both the existing and proposed ownership structure
9 described above are attached hereto as Exhibits B-1 and B-2, respectively. Copies of all
10 transactional documents intended to effectuate the Applicants' new organizational structure are
11 attached hereto as Exhibit C.

12 **IV. IMPACT ON CUSTOMERS**

13 QCC and its subsidiaries and affiliates are committed to ensuring that the internal
14 restructuring described in this Application is transparent to customers. To that end, none of the
15 steps described above will result in a rate increase for affected customers. For this and the
16 following reasons, any applicable anti-slamming and customer notification requirements should
17 be waived.

18 First, to the extent LCI International Telecom Corp. ("LCI") and Phoenix Network, Inc.
19 ("Phoenix") still serve customers in Washington, they do so under the "Qwest" brand.
20 Consequently, any customers of LCI or Phoenix that would be transferred to QCC would not
21 notice a change in service provider on their bills. Notification and authorization are thus not
22 indicated.

23 ⁵ The transfer of the stock of LCI International, Inc. from QCC to Qwest Services Corporation occurred on
24 December 29, 2000. As explained above, LCI International, Inc. holds no certificates of authority and this internal
25 transfer did not have any effect on the customers of, or provision of services by, any certificated subsidiary or
26 affiliate of QCC. To the extent Commission approval of this internal structural change is required, the Applicants
have incorporated it into this Application and respectfully request that such approval be granted *nunc pro tunc*.

1 On May 15, 2001, the FCC issued an order amending its carrier change rules to provide
2 a streamlined process for compliance with Section 258 of the Communications Act of 1934, as
3 amended by the Telecommunications Act of 1996.⁶ The Order states that “a change in
4 corporate structure that is invisible to the affected subscribers does not constitute a sale or
5 transfer for purposes of Section 258 that implicates this streamlined process.”⁷ Consistent with
6 this recent decision, it would be appropriate for the Commission to waive any applicable
7 customer notification or authorization that might arguably be required under Washington law.
8 For this reason, and in order to facilitate the timely consummation of these transactions, the
9 Applicants request that this Commission waive its anti-slamming and customer notification
10 rules to the extent they apply.

11 Second, each of the Applicants has been competitively classified by the Commission.
12 In connection with each such classification, the Commission has explicitly waived the applic-
13 ability of, among others, Chapter 80.12, RCW (Transfers of Property) and the correlating
14 regulations found in Chapter 480-143, WAC. As such, the customer notification and transfer of
15 property provisions do not apply to any of the Applicants by prior order of the Commission.

16 **V. GRANT OF THE REQUESTED AUTHORITY IS IN THE PUBLIC INTEREST**

17 Under WAC 480-143-170, the standard for approval of the transaction is that it be
18 consistent with the public interest:

19 If, upon examination of an application and accompanying
20 exhibits, or upon a hearing concerning the same, the commission
21 finds that the proposed transaction is not consistent with the
22 public interest, it shall deny the application.

23 In a recent decision, the Commission provided further guidance on the standard by

24 ⁶ *In the Matter of 2000 Biennial Review – Review of Policies and Rules Concerning Unauthorized Changes of Consumers’ Long Distance Carriers*, CC Docket No. 00-257, *Implementation of the Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996*, CC Docket No. 94-129, *Policies and Rules Concerning Unauthorized Changes of Consumers’ Long Distance Carriers*, FCC 01-156 (First Report and Order in CC Docket No. 00-257, Fourth Report and Order in CC Docket No. 94-129, rel. May 15, 2001).

25 ⁷ *Id.* at ¶ 13, n.24 (“Indeed, in such cases, requiring notice of a change that is imperceptible to the affected subscribers might cause confusion where there would otherwise be none.”).

which the public interest is to be evaluated in cases involving changes in corporate ownership:

The standard in our rule does not require the Applicants to show that customers, or the public generally, will be made better off if the transaction is approved and goes forward. In our view, Applicants' initial burden is satisfied if they at least demonstrate no harm to the public interest.⁸

The proposed transactions are being undertaken in furtherance of the integration of the business and operations of QCC and its subsidiaries and affiliates and will result in enhanced efficiencies and a reduction in the administrative burdens associated with duplicative operations. A more efficient corporate structure will allow QCC and its subsidiaries and affiliates to devote additional resources to the provision of more and better services to customers. A reduction in the number of certificated entities also will reduce the number of carriers subject to regulation by this Commission, thereby freeing up scarce public resources.

VI. CONCLUSION

For the reasons stated above, the Commission should approve the internal restructuring proposed in this Application and waive the requirements of WAC 480-120-139 and WAC 480-143-210 to the extent applicable.

DATED June ____, 2001.

Qwest Communications Corporation
LCI International Telecom Corp.
Phoenix Network, Inc.
USLD Communications, Inc.

By: _____
Lisa A. Anderl, WSBA #13236
Adam L. Sherr, WSBA #25291

⁸ *PacifiCorp/Scottish Power plc Merger*, Docket No. UE-981627, Third Supplemental Order on Prehearing Conference (1999), p. 2. This standard was not modified by the Commission in its subsequent consideration of the Qwest/U S WEST merger. *U S WEST/Qwest Communications Int'l*, Docket No. UT-991358, Ninth Supplemental Order Approving and Adopting Settlement Agreements and Granting Application (2000), p. 9.

EXHIBIT A-1

SCHEDULE OF EXISTING OPERATING AUTHORITY IN WASHINGTON

A. Qwest Communications Corporation (f/k/a Southern Pacific Telecommunications Company)

- Docket No. UT-940120 (02-23-94) [direct dial long distance, 800 and private line services]
- Docket No. UT-940120 (03-31-99) [switched intraexchange and inter-exchange services; competitively classified; waiver of RCW 80.12 and WAC 480-143]
- Docket No. UT-940120 (05-26-99) [prepaid calling card services]
- Docket No. UT-950150 (06-04-96) [competitively classified; waiver of RCW 80.12 and WAC 480-143]

B. LCI International Telecom Corp.

- Docket No. UT-920034 (02-12-92) [resale of interexchange services]
- Docket No. UT-940946 (08-10-94) [alternate operator services]
- Docket No. UT-960858 (01-22-97) [resale of local exchange services; inter-exchange services]
- Docket No. UT-960859 (07-30-98) [competitively classified; waiver of RCW 80.12 and WAC 480-143]

C. Phoenix Network, Inc.

- Docket No. UT-910242 (03-27-91) [resale of interexchange services; WATS-type 800 and travel card access services]
- Docket No. UT-920589 (09-29-92) [competitively classified; waiver of RCW 80.12 and WAC 480-143]

D. USLD Communications, Inc.

- Docket No. UT-893222-AR (02-02-90) [resale of interexchange services; alternate operator services]
- Docket No. UT-970293 (05-16-97) [resale of local exchange services; facilities-based local exchange services]
- Docket No. UT-991109 (09-22-99) [competitively classified; waiver of RCW 80.12 and WAC 480-143]

EXHIBIT A-2

SCHEDULE OF PROPOSED OPERATING AUTHORITY IN WYOMING

A. Qwest Communications Corporation

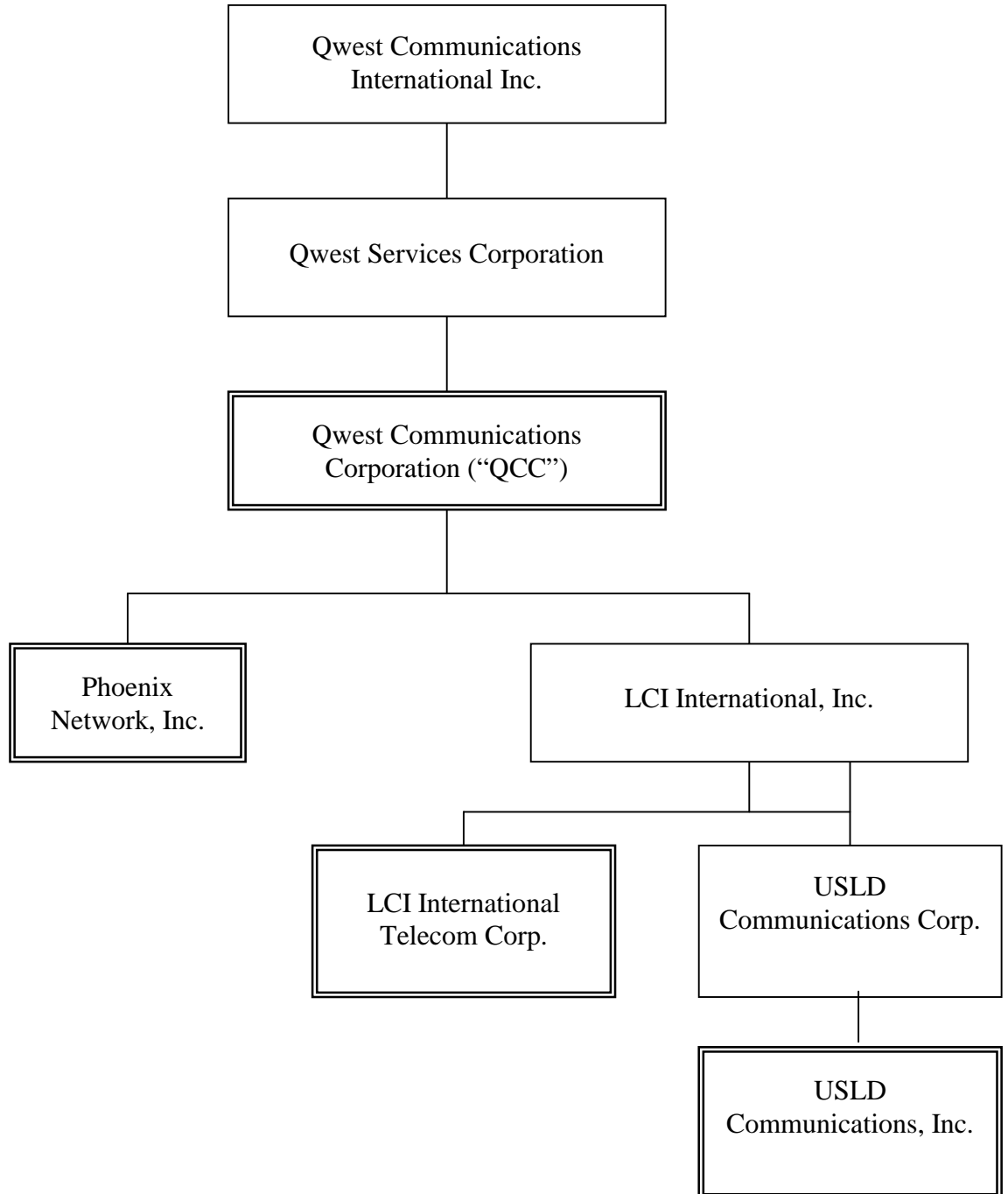
- Docket No. UT-940120 (02-23-94) [direct dial long distance, 800 and private line services]
- Docket No. UT-940120 (03-31-99) [switched intraexchange and inter-exchange services; competitively classified; waiver of RCW 80.12 and WAC 480-143]
- Docket No. UT-940120 (05-26-99) [prepaid calling card services]
- Docket No. UT-950150 (06-04-96) [competitively classified; waiver of RCW 80.12 and WAC 480-143]
- Docket No. UT-920034 (02-12-92) [resale of interexchange services]
- Docket No. UT-940946 (08-10-94) [alternate operator services]
- Docket No. UT-960858 (01-22-97) [resale of local exchange services; inter-exchange services]
- Docket No. UT-960859 (07-30-98) [competitively classified; waiver of RCW 80.12 and WAC 480-143]
- Docket No. UT-910242 (03-27-91) [resale of interexchange services; WATS-type 800 and travel card access services]
- Docket No. UT-920589 (10-02-92) [competitively classified; waiver of RCW 80.12 and WAC 480-143]

B. USLD Communications, Inc.

- Docket No. UT-893222-AR (02-02-99) [resale of interexchange services; alternate operator services]
- Docket No. UT-970293 (05-16-97) [resale of local exchange services; facilities-based local exchange services]
- Docket No. UT-991109 (09-22-99) [competitively classified; waiver of RCW 80.12 and WAC 480-143]

EXHIBIT B-1

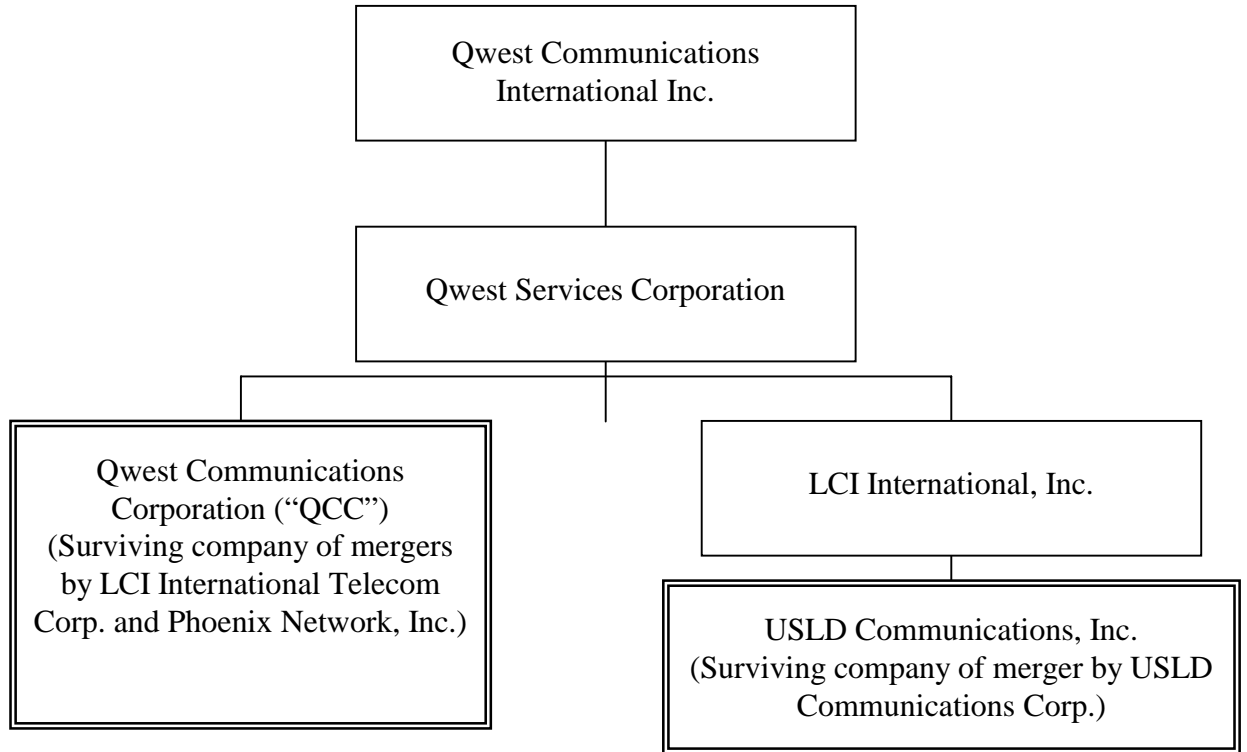
CHART OF PRE-RESTRUCTURING ORGANIZATIONAL STRUCTURE FOR THE AFFECTED ENTITIES



Note: Subsidiaries with double borders hold certificates of authority. Other subsidiaries, which are not affected by the restructuring, are not represented.

EXHIBIT B-2

CHART OF PROPOSED ORGANIZATIONAL STRUCTURE FOR THE AFFECTED ENTITIES



Note: Subsidiaries with double borders hold certificates of authority. Other subsidiaries, which are not affected by the restructuring, are not represented.

EXHIBIT C
TRANSACTIONAL DOCUMENTS
(Attached)